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RE: **NEW INFORMATION ABOUT W-2 2004-2005 CONTRACTS AND FUNDING ALLOCATIONS**

Dear «Salutation»:

First, let me thank you and your colleagues for your commitment and dedication to operating Wisconsin's W-2 program throughout all parts of our state. You are our major partners in helping to ensure that Wisconsin's low-income families have jobs, lives of economic self-sufficiency and hope for the future.

I know that this is a challenging time in which to deliver W-2 services. For over two years now, our national and state economies have been hard-hit. All over the United States we have seen a loss of manufacturing jobs, with many American workers facing layoffs and losing hope. This has hit Wisconsin, one of the country's top manufacturing states, particularly hard. Our \$3.2 billion state deficit was one of the worst in the country and our \$94 million TANF structural deficit complicated our W-2 situation even more. Unemployment, W-2 caseloads and human services needs are up, just at a time when our tax base and resources are down. Many of the people now on W-2 are those hardest to serve, many facing complex barriers.

As partners, you understood these tough times and stepped up to the plate when we encouraged agencies, for this new contract cycle, to form consortia in order to generate economies of scale, reduce administrative costs and better serve the needs of participants. As a result, I am pleased to announce that in the new contract cycle we will have 13 consortia representing 38 different geographic areas, up from 5 consortia representing 16 geographic areas in the current contract cycle. We appreciate that you collaborated with partner agencies to help us meet this cost-effective service delivery model. Your understanding and assistance are greatly appreciated.

In addition to sharing that excellent news, I am writing to provide new information on the 2004-2005 W-2 contracts and to announce increased allocations (see attachment, "W-2 2004-2005 Allocations," for amounts) for each of the W-2 geographic areas as we go forward. Following this letter, contract packets and an official Administrator Memo will be mailed next week to all agencies that have approved plans.

The 2004-2005 W-2 allocation methodology preserves the previously agreed upon formula

- We have retained the weighted caseload formula first applied to preliminary allocations in May 2003, and then updated in August, to reflect the final budget amounts, a change in the weighting of Medical Assistance/Food Stamps/Child Care cases, and the most recent caseload data at that time;
- This is the same formula that was included in the department's Request for Proposals, the August Administrator Memo, and posted on the agency's web site; and
- This formula was developed in consultation with the Caseload Information Subcommittee of the Contract and Implementation Committee.

Additional funding is now available for 2004-2005 W-2 contract reallocations

- As I wrote in my September 29, 2003 letter to W-2 agency directors, we have decided that in this two-year contract cycle we will begin transitional jobs on a Phase I demonstration basis, evaluating the implementation of transitional jobs in two counties, one large and one small, Milwaukee County and Fond du Lac County;
- **Given this Phase I plan, we will be directing back to all W-2 agencies additional funding we had previously reserved for a statewide transitional jobs effort; and**
- **This funding includes the \$13.2 million (from benefits) I noted in my September letter, as well as an additional \$1.1 million (from services) for a total of approximately \$14.3 million in additional funding for our W-2 partner agencies over the new contract cycle.**

All geographic areas will receive additional funding beyond the preliminary allocations previously announced by DWD

- The allocation methodology preserves the same formula for the funding that DWD announced in August, as well as the additional dollars directed to W-2 agencies;
- The allocation for administration will be frozen at amounts published for the RFP as updated on August 4, 2003;
- The caseload data used in the formula (July 2002 through June 2003) remains the same for funding previously allocated;
- This was done to preserve the amounts for each geographic area – we know that local officials have in some cases already begun budget and program planning based on these funding assumptions;

- The actual dollar amounts for administration will remain the same even though there will be a slight reduction when expressed as a percentage of the contract:
 - This will translate into slightly less than 15% of the total contract for “balance of state” administration and slightly less than 12% for the Milwaukee regions
 - This is also intended to maintain consistency for those agencies already engaged in planning and development of local budgets
- **For the additional \$14.3 million redirected from transitional jobs to the W-2 agencies**, while the formula remains the same, **we have used the latest caseload data** available (October 2002 through September 2003) to **allocate the funding**; and
- This decision was intended to ensure that the additional funds reflect the most recent statewide caseload trends.

Other funds available for collaboration efforts

- As I mentioned, 38 geographic areas have formed 13 consortia and we have preserved the previously announced Consortium Incentive funding of \$2.9 million; within the next few weeks we will be releasing further directions regarding how you may access these funds;
- The Department has also established a Milwaukee Administrative Reduction Allocation from the reduction of allowable administrative costs in Milwaukee from the historical 15% to 12%; this reduction in administrative funding, amounting to \$6.1 million, will be applied to and taken from the Milwaukee administrative allocation to establish flexible capacity for meeting unforeseen program needs.

The new contracts will have several important changes to help control W-2 administrative costs and ensure successful experiences for W-2 participants

- As we go forward with implementing W-2 in the important two-year period ahead, you will find that the contracts will include language to help our state control W-2 administrative costs while also ensuring that W-2 participants connect most successfully to work;
- DWD will review and revise the appropriate policies to ensure that W-2 agency FEPs receive training in coordination with local child welfare and other community agencies to facilitate the employment of the participants, and the well-being of participants and their children;
- W-2 agencies will be asked to cooperate with the income maintenance agencies in their geographic areas in administering the joint application process for W-2, Medicaid, Food Stamps and Child Care:

- This will include providing workspace for county child care administration workers, and county child care eligibility workers required by subcontracts with county, Food Stamps and Medicaid workers
- To facilitate such collaborative arrangements for best serving the needs of W-2 participants, I am pleased to report that Helene Nelson, Secretary of the Department of Health and Family Services, and I have agreed that our two departments will, in compliance with federal regulations, implement a cost allocation system at the state level
- We will also require that for the W-2 program, the salaries of W-2 agency employees shall not exceed the salaries paid to employees in comparable positions in the local W-2 agency labor market.

The W-2 program is one of the largest and most important programs in the state of Wisconsin. The new W-2 contracts and the funds allocated for 2004-2005 are intended to reaffirm DWD's partnership with you and our joint commitment to transitioning W-2 participants from poverty to self-sufficiency.

What we do together as partners will be critical to Wisconsin's success. I hope that this information will be helpful to you as you review your proposed contracts and I very much look forward to working with you over the coming W-2 contract cycle. Please feel free to contact me with any questions.

Best regards,

Roberta Gassman
Secretary

Attachment